

## DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836

SACRAMENTO, CA 94236-0001

(916) 653-5791



# NOTICE TO STATE WATER PROJECT CONTRACTORS


## No. 96-2

DATE:

FEB 6 1996

SUBJECT: 1996 Sale of Project Water  
for Use Outside Service Area

FROM:

  
Director, Department of Water Resources

The Department of Water Resources is offering to interested contractors the opportunity to sell 1996 annual entitlement water through turn-back water pools in accordance with the Monterey Principles. As intended in the Monterey Amendment, the turn-back pools shall constitute the exclusive means of selling portions of annual entitlements not desired by contractors in 1996. A State Water Project contractor may sell allocated 1996 annual entitlement that it will not use within its service area, provided (1) the contractor has not elected to store project water outside its service area in 1996, and (2) the contractor has not elected to carry over entitlement water from 1995.

SWP contractors shall have the first priority to purchase all water placed in the pools. The State may purchase any water remaining in the pools not purchased by contractors at the same price offered to the contractors, and use such water for the purpose of meeting project carryover storage objectives. The State will consult with the contractors prior to making any such purchases.

To participate in the program either as a seller or buyer, a SWP contractor must sign and date the attachment to this notice, agreeing to the terms and conditions in this notice and the attachment, and fax and mail the attachment to Donald R. Long, Chief, State Water Project Analysis Office, Department of Water Resources, Post Office Box 942836, Sacramento, California 94236-0001. Because of time constraints, all notices of offers and requests for purchases of turn-back water should be faxed to the State Water Project Analysis Office at (916) 653-9628, Attention: Nancy Quan, but must be confirmed in writing.

If you have any questions about this program, please contact Don Long, at (916) 653-4313 or Dan Flory at (916) 653-5942.

Attachment

# 1996 Sale of Project Water For Use Outside Service Area

## Criteria

1. The turn-back pools shall constitute the exclusive means for a contractor to sell 1996 annual entitlement water to other contractors or other entities that are not contractors except for bona fide exchanges of project water as described in Article 56(f) of the Monterey Amendment. A "bona fide exchange" shall mean an exchange of water involving a contractor and another party where the primary consideration for one party furnishing water to another is the return of a substantially similar amount of water, after giving due consideration to the timing or other nonfinancial conditions of the return.
2. A State Water Project contractor can sell allocated 1996 annual entitlement water that it will not use within its service area, provided (1) the contractor has not elected to store project water outside its service area in 1996 in either project or non-project facilities as described in Article 56 of the Monterey Amendment, and (2) the contractor has not elected to carry over entitlement water from 1995 pursuant to Article 12(e). A contractor selling annual entitlement in 1996 may, however, carry over entitlement water from the last three months of the year to be used in the first three months of 1997 pursuant to Article 12(e), but would then be precluded from selling water in the turn-back water pool in 1997.
3. Sales and purchases of turn-back water by the contractors shall not affect the allocation of entitlement water to contractors in 1996.
4. Turn-back water shall not be delivered in any way that would adversely impact the deliveries of entitlement water to contractors. Deliveries of turn-back water to meet deliveries of contractors' annual entitlements not met for 1996 shall have the same delivery priority as entitlement water. Deliveries of turn-back water in excess of contractors' annual entitlement shall have sixth priority, as described in Article 12(f) of the Monterey Amendment.
5. Delivery may be limited by operational capacity in State Water Project facilities or as a result of changed operational conditions.
6. Turn-back water may be stored outside of the purchasing contractor's service area. The location of this storage may be inside or outside of the State Water Project service area, but must be consistent with water rights permits when the water is stored.
7. Contractors shall have the first priority to purchase all water offered in the turn-back pools. The State may purchase any water remaining in the pools not purchased by the contractors at the same price offered to the contractors. Any turn-back water purchased by the Department will be retained in SWP conservation storage to increase project carryover storage for the succeeding year. The water purchase cost will be repaid to the State by all contractors, including the offering contractors, under terms of Article 22(i) of the long-term water supply contract.

8. In order to sell to noncontractors, a contractor must offer the turn-back water for sale at least through Pool B and leave the water in the pool through April 1. The noncontractor will be required to demonstrate that it can use the water.
9. Turn-back water not sold by September 30, 1996 will become part of the overall State Water Project supply.

Scheduling and Charges

10. A contractor offering to sell turn-back water in Pool A must notify the Department on or before noon on February 15. The Department will notify all contractors of the availability of water through Pool A on February 15 in the afternoon.
11. A contractor willing to buy turn-back water through Pool A must submit its request to the Department by noon on March 1. The price for such water will be \$10.24 for each acre-foot of water purchased (50 percent of the Delta Water Rate).
12. A contractor offering turn-back water for sale through Pool A may cancel its offer for any water that remains unsold after March 1.
13. If there is water remaining in Pool A for sale on March 1, the Department may purchase any portion of the residual available water at \$10.24 per acre-foot.
14. Pool B water consists of turn-back water offered after February 15 and on or before March 15, and any water remaining but not withdrawn after sales from Pool A. A contractor offering any turn-back water for sale in Pool B must notify the Department on or before noon on March 15. The Department will notify all contractors of the availability of water through Pool B on March 15 in the afternoon.
15. A contractor willing to buy turn-back water through Pool B must submit its request to the Department by noon on April 1. The price for such water will be \$5.12 for each acre-foot of water purchased (25 percent of the Delta Water Rate).
16. If there is any water remaining in Pool B for sale on April 1, the Department may purchase any portion of the residual available water at \$5.12 per acre-foot.
17. A contractor offering turn-back water for sale in Pool B may cancel its offer for any water that remains unsold after April 1.
18. The Department will notify the buyers and sellers of the results of sales through Pool A and Pool B on March 4 and April 2, respectively.

19. For either Pool A or Pool B, if there are more requests from contractors to purchase water than the amount available in the pool, the water in the pool shall be allocated among those contractors requesting such water in proportion to their annual entitlements for 1996 up to the amount of their requests for pool water. If the requests to purchase water from the pool total less than the amount available in the pool, the sale of pool water shall be allocated among the contractors selling such water in each pool in proportion to their respective amounts of water offered in each pool.
20. Any turn-back water offered but not sold through Pool B will be offered to contractors and noncontractors and sold to the highest bidder unless withdrawn by the offering contractor. If the highest bidder is a noncontractor, the Department will notify all contractors of the bid to allow them to exercise a right of first refusal to purchase such water at the price offered by the noncontractor. Contractors interested in responding will be allowed fifteen days from the date of the Department's notice of the noncontractor's bid.
21. Interested noncontractors should notify the Department if they want to receive notices of turn-back water offers remaining after Pool B.
22. Contractors purchasing water under the turn-back pools shall pay the same for power resources incurred in the transportation of such water as if such water were entitlement water, as well as all incremental operation, maintenance, and replacement costs, and any other incremental costs, as determined by the Department, but not including any administrative or contract preparation charge.
23. Noncontractors will need to obtain approvals from permitting agencies and make separate arrangements for transportation of purchased water, including use-of-facilities and power costs, as required to make the deliveries. The Department will charge administrative and contract preparation fees for noncontractors purchasing water under the turn-back pool program. Turn-back pool water for noncontractors shall not be delivered in any way that would adversely impact the deliveries of any water to the contractors.
24. All money from water purchases will be credited to the offering contractors in proportion to the amount of water turned back by each contractor during each sale.
25. A contractor or noncontractor selling or purchasing turn-back pool water will be required to confirm its sales or purchases through agreements with the Department.



26. A contractor purchasing turn-back water should submit its revised delivery request to the Department as early as possible.
27. Sales of turn-back water shall undergo environmental review as provided by existing law.
28. The 1996 turn-back pool program shall not necessarily be a precedent for future programs.

In order to sell or purchase turn-back water under the interim implementation of the Monterey principles, please sign below in the space provided and return a copy to the State Water Project Analysis Office. A contractor's signature indicates acceptance of the criteria, procedures and charges for this program.

ACCEPTED:

\_\_\_\_\_  
AGENCY:

\_\_\_\_\_  
DATE:

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE: